

Purpose of the STIP

This is the final 2004-2006 STIP or Statewide Transportation Improvement Program. It follows an earlier pre-draft version, published with the related Needs List in November 2002 and a draft version that was released for public comment in August 2003. The purpose of the final STIP is to reflect final decisions about the 2004-2006 surface transportation programs.

The STIP is the state's plan for allocating funding for surface transportation -- highways, transit, paths, and ferries -- for a three-year period. This new STIP covers the three federal fiscal years 2004, 2005 and 2006 (the time period from October 2003 through September 2006).

The STIP only covers surface transportation projects. The Federal Aviation Administration provides funding for airport projects. A program of spending for airport projects, the Airport Improvement Program, is published separately. Ports and harbors projects are funded by the Corps of Engineers with State and local match funds, or solely with State and local funds. Neither aviation nor ports and harbors projects are included in the STIP.

New issues and considerations

Reduced funding is estimated for 2004 – 2006

A large number of projects are being delayed as compared to the pre-draft version published in late 2002. Reduced funding estimates and some other external factors have been the primary causes for these delays.

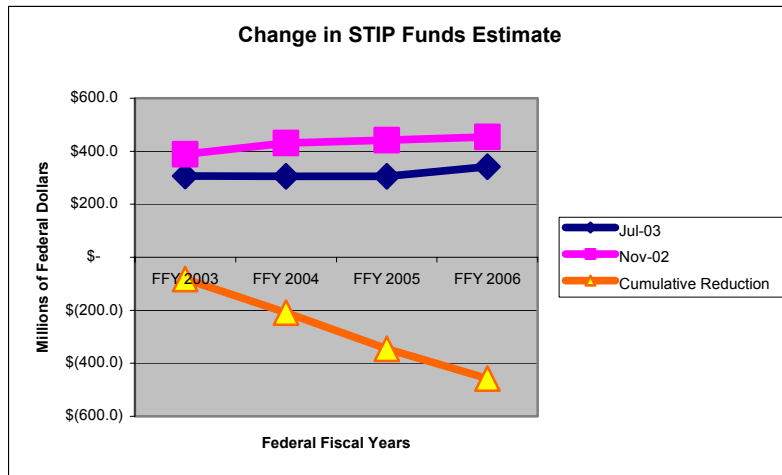
In November of 2002, the pre-draft version of the 2004-2006 STIP estimated funding in the range of \$430 million or more

for each year. Our current estimate of funding is considerably lower, now at \$305 million. This reduction in the estimate is substantial, and resulted in the delay of nearly every project shown in the earlier pre-draft STIP. Moreover, the shortfall in federal funding actually began in FFY 2003. Thus projects delayed in 2003 must also compete for funds with those previously placed into the 2004 – 2006 STIP.

The funding estimate today is based on information from US DOT concerning decreased federal gas tax receipts and from current activity with federal legislation. Alaska relies on federal funds for most transportation capital expenditures. When the federal funds are reduced, Alaska must lower the spending target and delay many important projects.

A large number of projects are delayed as compared to the pre-draft version published in late 2002.

Estimated federal funding levels are significantly lower than previously thought.



Other factors affecting the STIP

The reduction of federal funds is not the only adverse factor accounted for in preparing this STIP. Three other significant events must be mentioned:

- Delay in reauthorization of TEA-21** – TEA-21 is the federal transportation legislation that funds the federal transportation program in all 50 states. Every 6 years this federal program is reauthorized, and funding levels and program requirements are usually adjusted. If the normal schedule were followed, reauthorization would occur prior to FFY 2004, the first year of the new STIP. Reauthorization was delayed by at least 5 months, and the extension law uses the same funding levels received in FFY 2003. This final STIP is built on the cautious assumption that 2004 and 2005 will produce the same level of funding as 2003.

- Delay in reimbursement of ER funds** – Alaska is eligible for more than \$50 million to cover the costs of transportation repairs due to emergencies in 2002. The Denali earthquake and the flooding on the Kenai Peninsula and elsewhere would usually be funded with special Emergency



Denali earthquake damage on Tok Cutoff Highway MP 67 to 78 November 3, 2002. Nearly \$29 million of damage was done on this and other transportation features.

- Repair funds from TEA-21. However, the national ER funding is depleted, and the state may have to wait several years for reimbursement. In the draft STIP, we had recommended that the emergency costs be temporarily funded from the STIP. We will not be reimbursing the ER expenditures until federal Emergency Repair funds are appropriated.
- FHWA Time Trap Requirements** – In 2003 FHWA notified Alaska DOT of about 60 time trap projects that needed attention. A time trap project is one that was started 10 or more years ago, and not completed. Under the federal rules, the state must either commit to completing such time trap projects or reimburse the federal funds. In some cases, the department can also apply to have time trap projects forgiven, subject to review and approval by the FHWA. While we have

worked diligently to have many of these older projects forgiven, many other projects must be accelerated to avoid the requirement that the state repay federal funds.

Changes to the TRAAK Program

In 2003, the TRAAK program was changed by enactment of Senate Bill 71. The effect of this legislation was three-fold:

- Beginning in FFY 2004, it reduced the maximum level of funding allocated to the statewide TRAAK program from 8% to 4%; with a requirement for further reduction to 2% beginning in FFY 2007.
- Funds not spent in the TRAAK program are to be transferred to the CTP program. It will grow to 37% in FFY 2004 and to 39% in FFY 2007.
- MPOs (Anchorage and Fairbanks) may spend no more than 10% of the funds allocated from the STIP on transportation enhancements.

The effect of this change is to slow the pace of the entire TRAAK program. The department may have to impose a multi-year moratorium on new TRAAK projects until active projects in design are funded through construction. Another possibility is to limit TRAAK projects to maximum dollar limit. The intent of these possible program changes is to ensure the program's viability and utility to several Alaska communities each year.

Eligibility of borough governments to participate

The FHWA imposes a perpetual requirement for maintenance on projects funded under the federal-aid transportation program. Alaska DOT, in turn, requires that local governments

and other sub-recipients of these funds make the same commitment to long-term ownership.

Beginning in the FFY 2004 STIP, if STIP funds are used on a local (non-state owned or commitments for maintenance and ownership) project, the sub-recipients must have legal authority to accept this commitment. For example, Borough governments must have adopted the power to '*provide transportation systems*', on an areawide or non areawide basis, as required by state statutes (AS 29.35.200 - 220).

Boroughs that have not adopted the power to '*provide transportation systems*' under this statute, may not have the legal ability to own, fund, operate, maintain, or tax for such transportation projects. Should a borough or other recipient that accepts a federal-aid project, later claim they have no legal authority to fund or maintain projects built with FHWA funds, this policy protects the state from future financial liability.

New Policy: cost sharing with our partners

In reducing the state budget in 2004 to meet fiscal targets, state match funds were cut by about \$9 million or nearly 20% with the expectation that local and earmarked projects would no longer be matched with only state funds. The new policy requires that several classes of projects rely on 100% of the match funds provided by the local sponsor, and for other STIP projects serving a joint state and local interest, the match is to be split between the state and the sponsor.

This new policy applies to every new project phase or cost increase to existing phases needing match funds, including projects already underway. It applies to all projects and

project phases authorized after July 2003 (SFY 2004). The policy is subject to change, according to the state's fiscal circumstances.

The table on the page 5 depicts how this policy applies based on ownership and functional class of the road or other project type in question. The state is focusing limited match funds on state-owned routes and other routes that serve high levels of traffic. Roads of less importance, and other classes of projects which generally serve local needs, would be given lower prominence in the policy. In-kind right of way donations and materials will be considered for local match.

The match funds are expected at the time of each phase of a project is authorized by the Federal Highway Administration (FHWA). The federal-aid agreement creates a commitment on the part of the state to provide match funds, thus the state will need the funds from local sponsors to fulfill these commitments. Typically a project agreement with FHWA is established at key points in the life of each project, prior to design, right-of-way, and construction.

Project sponsors may make appeals in writing to the Commissioner of the Department of Transportation and Public Facilities for exceptions to this match provision on a case-by-case basis. The basis for appeals must address how the project serves the state's interest. Appeals will be viewed cautiously, for there is not enough state general funds to fulfill routine requests.

Donations of Right of Way

There are several examples where the commitments of right of way or land were withdrawn when the State acquired the property. In the future, if the commitment is withdrawn in favor of cash settlement with the State, the funds received must be

turned over to the State, or the project in question will be delayed indefinitely.

New Policy: Use of State Match Funds by Ownership and Functional Classification			
Project FC or Type	100% state match	50% state match	0% state match
State Owned Projects			
Local Roads	X*	X	
Minor Collector	X*	X	
Urban or Major Collector (non NHS)	X		
Minor Arterial (non NHS)	X		
Other Principal Arterial (non NHS)	X		
NHS, AHS or Highway Safety Improvement Program	X		
TRAAK, ITS or Transit Project	X		
Planning or other non-construction.	X		
CMAQ – Projects in the SIP or in direct support of the SIP	X		
Congressional earmark.	X		
Non-state Owned Projects			
Local Roads	X*		X
Minor Collector	X*		X
Urban or Major Collector (non NHS)	X*	X	
Minor Arterial (non NHS)	X*	X	
Other Principal Arterial (non NHS)	X		
NHS, AHS or Highway Safety Improvement Program	X		
Intersection improvements on state roads to serve commercial needs regardless of FC or category			X
TRAAK, ITS or Transit Project			X
Planning or other non-construction.			X
CMAQ – Projects in the SIP or in direct support of the SIP	X		
Congressional earmark.		X*	X

*Only with a transfer agreement that transfers ownership and maintenance of the road being upgraded or another comparable state-owned road to the local government.

Project sponsors may make written state's best interest appeals to the Commissioner of the Department of Transportation and Public Facilities for exceptions to this match provision on a case-by-case basis. The match policy applies to phase starts and cost increases after July 1, 2003.

New federal consultation rule for areas outside AMATS and FMATS.

Federal regulations made final in 2003 require that the Alaska DOT develop more consistent and effective means of communicating and consulting with those interested in transportation, outside the urban areas covered by an MPO. These new rules take effect in early 2004.

What it changed?

Effective February 24, 2003 the FHWA amended the Federal planning regulation (23 CFR 450) regarding the development of statewide plans and programs. Specifically, this action amends the planning regulation as it relates to consultation with non-metropolitan local officials. This action implements the provisions of the Transportation Equity Act for the 21st Century (TEA-21) regarding the consultation with non-metropolitan local officials in the statewide and metropolitan planning processes.

It also requires that we formally adopt a consultation process that is in addition to the public involvement process now in place. It further requires that we periodically review with non-metropolitan local officials the effectiveness of this consultation process, and consider taking action to better serve these interests.

Our current public involvement processes for both planning and STIP preparation follow the new Alaska Planning Regulations (17 AAC 120 – 990). We may need to change our state regulations to meet the requirements of the new federal rule.

How does it affect DOT&PF activities?

The new rule will affect the STIP and various planning processes including the Statewide Plan, Area Plans and other plans adopted under these provisions. Since this new consultation process is specifically required in addition to existing public involvement procedures, it will likely add to the outreach effort required during adoption of the STIP and various plans.

This new rule will affect regional planning activities, the statewide office and some of the functions of the AMHS.

The new federal definition of consultation is as follows:

“Consultation means that one party confers with another identified party in accordance with an established process and, prior to taking action(s), considers that party's views and periodically informs that party about action(s) taken.”

The requirement for periodically informing local officials is a key provision of this definition. DOT&PF must not only seek the input and consider it during transportation decision-making; the agency must periodically communicate final decisions or actions in a formal process, to be defined.

Timing and costs to implement the new rule?

State DOTs have until Feb. 24, 2004 to adopt their new consultation process for non-metropolitan officials. No formal approval of this process by US DOT is required.

The FHWA does not provide any additional funding for this activity. The regulation adoption notice made note that transportation planning activities are federally funded at an 80:20 ratio thus implying each state should use federal-aid funds for any increased costs.

How will Alaska DOT&PF implement this new requirement?

Alaska DOT will be listening to officials and others outside the urban areas as we work to meet this new federal requirement. Thereafter we will prepare a proposal and circulate it for comment. If you have a thought on how we can make the transportation planning consultation process more effective send an email to: planning_comments@dot.state.ak.us

Details of the 2004 – 2006 STIP

The STIP displays the projects the department plans to design and build in each of the next three years. By law, the spending plan must achieve these requirements:

- Fiscally constrained, based upon realistic estimates of expected funding
- Consistent with both statewide and local transportation plans
- Covers a period of not less than 3 years
- Consistent with federal and state air quality requirements
- Contains all capital and non-capital (e.g., planning, research) transportation projects
- Contains information about each project, including description, location, costs, phase of work and year of funding
- Is developed in cooperation or consultation, as appropriate, with affected local officials, other interested parties and transportation operators.

How the STIP is prepared?

This STIP is the final step in an extensive process through which projects are nominated, evaluated, selected and programmed for funding based on merit and relative need. Alaska's STIP is prepared from a document known informally as the Needs List

(*Transportation Needs and Priorities in Alaska*).

Beginning in late 2001 the department held a public review of the needs-based project scoring criteria and solicited new project

nominations for the Needs List. Based on the existing database of previously nominated projects from prior Needs Lists and the new project nominations, the department reviewed more than 1,200 surface transportation project nominations from various groups, local governments, state and federal agencies.

This large pool of potential projects is classified into the different STIP categories and regional staff initially scored each one. Only projects receiving the highest scores in this initial ranking became eligible for subsequent evaluation statewide.



The long-term climatic warming trend in Alaska has changed the pattern of debris flow on many rivers and streams. Here the increased bed load has nearly eliminated the hydraulic capacity of the bridge at One Mile Creek, MP 228 Richardson Highway. DOT&PF may need to elevate this bridge with raised embankments on either side.

The STIP is a financially constrained spending program. The department must estimate the total amount of transportation funding, by year and by category, from all anticipated sources for the three-year period, 2004 - 2006. The primary source of funds for surface transportation projects in Alaska is from the Federal Highway Administration. Other key sources of funding include the transit funds from the Federal Transit Administration, and special funding sources such as grants selected by members of Congress for specific projects.

The estimate of total available funding limits the projects placed in each year of the STIP. Much of the funding available to the department is allocated within specific categories such as safety, surface transportation, transportation enhancements, air quality (CMAQ) and transit funding according to the federal funding programs. In allocating funds to projects, we must consider these special categories.

Federal regulation (23 CFR 450.216) requires that each state transportation agency develop a STIP for all areas of the state outside of metropolitan planning areas (MPOs). For metropolitan areas, the MPOs develop their own TIPs (Transportation Improvement Programs) which are approved by the state and incorporated in total or by reference into the STIP. Additional requirements are also placed on the nature and form of projects that are placed in the STIP. The final STIP is subject to approval by both the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA), both agencies of the US Department of Transportation.

STIP Spending Categories

The STIP is divided into several transportation categories, with each receiving a portion of the funds. All projects nominations are placed into one of these categories.

- *National Highway System* (NHS) is the system of most important highways and ferry links that connect the state's population centers with economic centers, border crossings and intermodal facilities. Congress or the US DOT approves all routes on the NHS. (For ease of review, ferries and terminals of the AMHS and other systems are shown in a separate category, but are financially part of the AHS or NHS, as appropriate.)
- *Alaska Highway System* (AHS) is the system of state highways, roads and ferry links that were not made part of the NHS (see above) but are still important to the state in that they link cities with economic centers, recreational areas, and span the distances between cities. AHS routes are approved by the DOT&PF Commissioner.
- *Community Transportation Program* (CTP) that creates partnerships with local governments, tribes and other parties to build projects serving local and regional needs including economic development related projects.
- *Trails and Recreational Access for Alaska* (TRAAK) projects that improve access to recreational facilities and provide trails for transportation and scenic and interpretative improvements along highways.
- *Federally Required Programs and Preventive Maintenance* – These projects are required to meet federal eligibility such as data collection, bridge inspection, research and similar programs.
- *Earmark Projects* – Known or expected earmark projects are listed here. Since earmark funding is not realized until the earmark is contained in a Congressional appropriations bill, this class of projects is speculative. Projects in this category do not compete with the federal formula funds nor are they part of the financial constraint calculation that applies to the remainder of the STIP.

Except for Earmark Projects an estimated funding level was established for each of these categories, and this STIP has been structured around these categories.

2004 – 2006 STIP emphasis areas

This STIP is structured to address the following policy objectives in order to best serve the interest of the state in the use of scarce transportation funds:

- Reduce general fund obligations to the state by addressing “time trap” projects in a responsive but measured manner.
- Achieve a safer transportation system for all involved.
- Connect communities and resources in order to improve Alaska’s economy and reduce the cost of living in outlying communities.
- Modernize to current standards and upgrade capacity on the National Highway System.
- Use a needs-based system to allocate funds to community and local transportation needs, giving priority to those communities willing to share in project costs and assume ownership.
- Capacity increases in urbanized areas – Add capacity in order to reduce congestion, improve safety and reduce travel time. Interchanges are funded in Fairbanks, Juneau, and the Matanuska-Susitna Borough within this STIP.
- Ferry modernization – The international and federal regulatory authorities continue to increase the safety standards applicable to public ferries. As such, the department must continue to upgrade the fleet to meet these stringent standards.
- Rehabilitate and transfer roads – or the upgrading of state-owned roads and subsequent voluntary transfer of these roads to local government.
- Maintenance cost reductions – The department continues to seek ways to lower maintenance costs through smart capital investments. Examples range from development of a maintenance management system to replacement of guardrails, luminaires and pavements.
- Use technology to improve transportation efficiency. Recent examples include new land mobile radio systems for operations. We are also installing a road weather information system in several test areas to improve awareness of when to deploy snow and ice control efforts.

How projects are selected for the STIP

National Highway System including AMHS: The department, based on the need to upgrade sections below standards, accomplish pavement rehabilitation, provide safety improvements or capacity increases, selects NHS projects. Since nearly all NHS routes are and will remain in state ownership, the department has not used a scoring system, because competition for these funds does not involve third parties.



Annual overhauls on AMHS vessels require work performed in a shipyard to maintain US Coast Guard certifications.

The department has made the improvement of the NHS routes a state priority in allocating funds for the STIP. We have made significant progress toward modernizing the network of NHS

routes and ferries. However, many NHS route improvements remain uncompleted, and this emphasis will continue over the next decade.

Alaska Highway System: The department based on the need to upgrade sections below standards, accomplish initial hard surfacing or pavement rehabilitation, provide safety improvements or capacity increases, selects AHS projects. Since nearly all AHS routes are and will remain in state ownership, the department does not use a scoring system since, competition for these funds does not involve third parties.

CTP and TRAAK: Requests for projects in these two transportation categories are solicited statewide. Boroughs, cities, villages, transit providers, Native organizations and other local governments, private parties, state and federal agencies, and others interested in transportation development are all requested to make project nominations. The department also submits a limited number of projects for consideration. In developing the 2004-2006 STIP, the nomination process produced a list of more than 1,200 potential surface transportation projects for consideration.

For the CTP and TRAAK programs, the application of evaluation standards and criteria resulted in a numerical score for every project. Each project is scored using one of the five sets of standards and criteria:

Community Transportation and Economic Development Program (CTP):

- Rural and Urban Streets and Roads Criteria
- Remote Roads and Trails Criteria
- Transit Projects Criteria
- ITS Projects Criteria

Trails and Recreational Access for Alaska (TRAAK):

- TRAAK Criteria

The project scoring criteria for the CTP and TRAAK programs may be found in the Needs List or on the department's web page URL: http://www.dot.state.ak.us/stwdp/ing/cip_stip/eval_criteria.html. If neither of these sources is convenient, please ask a regional or statewide planning office for a paper copy.

Scoring involves two steps. First the appropriate department regional office scores the entire list of projects nominated in their region. The top-ranked projects from this step are then forwarded to the department's Project Evaluation Board (PEB) composed of senior members of the department:

Each member of the PEB scores each project. The resulting scores are weighted, then averaged to determine how each project fares compared to other projects considered and scored within that program

The PEB does not score projects in the NHS or AHS. They also do not score projects within the two urban MPOs in Alaska: Anchorage - AMATS and Fairbanks - FMATS.

Project programming in the STIP

A schedule of project phases including funds and time needed to complete each phase of a project becomes the STIP. Schedules for CTP and TRAAK projects also consider the PEB scores. A typical construction project involves up to four major steps or phases, often taking several years:

- Phase 2 – Preconstruction, including engineering design and environmental review
- Phase 3 – Right-of-way, including the identification and acquisition of land needed to build the project and the

relocation of residences or businesses that may be in conflict

- Phase 7 – Utility relocation, when public utilities are in conflict with the planned improvements
- Phase 4 – Construction including all physical steps to build the project

Each of these phases may involve anywhere from a few months to many years to complete. Some projects require all of these phases, while others may need only design and construction phases.

The list of top scoring projects in the CTP and TRAAK program are then used to program the STIP. Generally, the highest scoring projects are included in the earliest years of the STIP. While this general rule guides the placement of most CTP & TRAAK projects, other programming factors also influence the development of the STIP, including the following considerations:

- Projects with an approved environmental documents are “grandfathered” or “baselined” and are carried forward for construction. These include the “time trap” projects that may require payback if not completed.
- State advance construction or bond repayments are given priority; they are financial obligations that must be repaid.
- Complex projects involving difficult right-of-way issues, utility relocation or extensive environmental considerations are assigned more time between phases.
- Special funding categories such as Congestion Mitigation/Air Quality or Safety funds must be utilized; thus, a project using these categories may be accelerated.

- Projects recommended by an adopted regional transportation plan as part of the Statewide Plan are given higher consideration.
- Projects are coordinated with associated projects and other funding sources in order to best leverage the overall transportation program to maximum benefit.
- Projects associated with unique events, such as the centennial of a community’s founding are scheduled to fulfill the event timing when possible.
- Congressional earmarked projects are scheduled in the STIP according to the sponsor’s needs as long as they do not impact department-sponsored projects.
- Preventative maintenance, security and emergency work is given priority over more routine work.

2004 – 2006 STIP public involvement

The STIP was prepared with a number of opportunities for public involvement. Beginning in mid 2001, the department notified local governments, villages, federally recognized tribes and federal and state agencies of the opportunity to nominate projects. A review of the project selection criteria was also undertaken. Project nominations were open until October, and the PEB held its first scoring meeting in late 2001. The results of the scoring were published in the Needs List in November 2002. The Needs List contained a “pre-draft” six-year program of projects based upon the initial scores given to projects in the Needs List.

Thereafter, the department held public meetings to provide a forum for comments on the Needs List. Notices of the meetings were placed in newspapers throughout the state and meetings were held in more than 20 communities. The public comment period ran for 8 weeks. In addition to the public

meetings, we received many letters, e-mail messages and phone calls concerning the Pre-Draft STIP and Needs List. The department's area planners also received a number of comments during meetings with public officials and interested citizens.

In early 2003, the department learned that total federal funding for FFY 2003 would be significantly lower than predicted. The difference in estimates was about \$90 million. This caused work on the 2004 – 2006 STIP to be delayed while we gave priority to readjusting the 2003 STIP year, in major amendment #17.

By June of 2003, we concluded that TEA-21 reauthorization could not pass before October. (In fact, TEA-21 has now extended rather than re-authorized.) We readjusted the 2004 and 2005 revenue prediction to a level equal to that received in FFY 2003. The TEA-21 extension amount for FFY 2004 equals 5/12 of FFY 2003 funding levels. For FFY 2006 we predict a modest upswing of 12% in funding.

Throughout the public involvement process for the Needs List and Pre-draft STIP, and the Draft STIP, the department used its Internet site to advertise the public opportunities to participate and disseminate information. We are sensitive to the fact that the Internet is not a universally available medium, especially in rural Alaska. We will continue to use this medium and supplement it with other methods of notifying the public such as public notices in newspapers and mailing lists.

Earmarked and discretionary projects

Historically, the federal-aid funding process was allocated to each state based on complex formulas that addressed multiple categories with project eligibility established for each category. However, with a few exceptions, each state was free to program formula funds in the manner best determined by the

state. In the recent past, the federal programs have grown considerably in two areas: earmarked funds and discretionary programs.

Earmarked funds are federal funds that come to Alaska with specific Congressional intent as to their purpose, timing and location. A recent example was the group of projects earmarked in the 2003 Federal Appropriations bill that included 353 project specific appropriations totaling over \$670 million. Twelve of those projects totaling over \$38 million came to Alaska. Earmarked projects are not open to public or department consideration as to where or for what purpose the money is allocated. Alaska can either accept or reject this funding, but it cannot change the project for which the Congressional earmark was made.

Discretionary funding and future or expected earmarks deserve special explanation. Discretionary funds and future earmarks are potential, but not certain funds for many Alaska projects. Under a nationwide competitive process, including a grant application based upon completed engineering; the state must solicit discretionary funds with a thorough and complete project application. There is no certainty that discretionary funds will be allocated to Alaska. Future earmarks for large multi-year projects are also subject to future Congressional actions, thus they are not certain. The placement of a discretionary or future earmark project in the STIP means the state will complete the project, if, and when, it is awarded the discretionary funds or earmark from the appropriate federal agency.

Selecting and programming projects for the 2004 to 2006 STIP

